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Note verbale dated 22 March 2018 from the Permanent Mission of Hungary to the United Nations addressed to the Chair of the Committee

The Permanent Mission of Hungary to the United Nations presents its compliments to the Chair of the Security Council Committee established pursuant to resolution 1718 (2006) and has the honour to transmit herewith the report of Hungary on the implementation of Security Council resolution 2397 (2017) (see annex).

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Annex to the note verbale dated 22 March 2018 from the Permanent Mission of Hungary to the United Nations addressed to the Chair of the Committee

Report of Hungary on the implementation of Security Council resolution 2397 (2017)

Hungary and the other States members of the European Union have jointly implemented the restrictive measures against the Democratic People's Republic of Korea imposed by the Security Council in its resolution 2397 (2017) by adopting the following common measures:[1]

Common European Union measures

(a) Council Implementing Decision (CFSP) 2018/16 of 8 January 2018 implementing Decision (CFSP) 2016/849 concerning restrictive measures against the Democratic People's Republic of Korea, which implements the designation of additional persons and one additional entity under the travel ban and/or asset freeze;

(b) Council Implementing Regulation (EU) 2018/12 of 8 January 2018 implementing Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea, which gives effect to the measures set out in Council Implementing Decision (CFSP) 2018/16;

(c) Council Decision (CFSP) 2018/293 of 26 February 2018 amending Decision (CFSP) 2016/849 concerning restrictive measures against the Democratic People's Republic of Korea, which sets out the commitment of the European Union to implementing Security Council resolution 2397 (2017) by imposing the following measures:

- The European Union had already introduced a full prohibition on the export of crude oil in Council Decision (CFSP) 2017/1860 of 16 October 2017, with the possibility of exemptions for exports for humanitarian purposes if approved in advance, on a case-by-case basis, by the Committee. In Decision (CFSP) 2018/293, it is further specified that the prohibition applies to the direct or indirect supply of all crude oil to the Democratic People's Republic of Korea, whether or not originating in the territories of the member States, including by means of pipelines, rail lines or vehicles;
- The European Union had already introduced a full prohibition on the export of all refined petroleum products in Decision (CFSP) 2017/1860, which included a provision that the export of refined petroleum products could be authorized by the competent authority of a member State for humanitarian purposes under the conditions mentioned in paragraph 14 of resolution 2375 (2017). In Council Decision (CFSP) 2018/293, it is now further specified that the amount of refined petroleum products authorized for export cannot exceed 500,000 barrels per year and that the means of export include pipelines, rail lines and vehicles;
- Prohibition on importing food and agricultural products, machinery, electrical equipment, earth and stone (including magnesite and magnesia), wood and vessels;
- Prohibition on the acquisition of fishing rights from the Democratic People's Republic of Korea;

[1] All common measures are published in the *Official Journal of the European Union*.

- Prohibition on exporting all industrial machinery, transportation vehicles, iron, steel and other metals, unless it has been determined by a member State that the provision of spare parts is needed to maintain the safe operation of passenger aircraft of the Democratic People's Republic of Korea;
- Obligation to repatriate to the Democratic People's Republic of Korea immediately, and no later than 21 December 2019, all nationals of that country who are earning income in the jurisdiction of a member State and all government safety oversight attachés of the Democratic People's Republic of Korea who are monitoring its workers abroad, unless certain exceptions apply, subject to applicable national and international law;
- Obligation for member States to seize, inspect and impound any vessel in their ports and the power to seize, inspect and impound any vessel subject to their jurisdiction in their territorial waters where there are reasonable grounds to believe that the vessel has been involved in activities, or in the transport of items, prohibited by the Security Council in its various resolutions on the Democratic People's Republic of Korea. Under certain conditions, the provisions for the impounding of vessels shall cease to apply;
- Obligation to cooperate as promptly as possible with another State which has information that leads it to suspect that the Democratic People's Republic of Korea is attempting to export illicit cargo and where that other State requests additional maritime and shipping information;
- Prohibition on providing insurance or reinsurance services to vessels identified as being involved in activities, or in the transport of items, prohibited by the Security Council in its various resolutions on the Democratic People's Republic of Korea, unless the Committee has determined, on a case-by-case basis, that the vessel is engaged in activities only for livelihood or humanitarian purposes;
- Obligation to deregister any vessel where there are reasonable grounds to believe that the vessel has been involved in activities, or in the transport of items, prohibited by the Security Council in its various resolutions on the Democratic People's Republic of Korea;
- Prohibition on providing classification services to vessels identified as being involved in activities, or in the transport of items, prohibited by the Security Council in its various resolutions on the Democratic People's Republic of Korea, unless approved in advance by the Committee on a case-by-case basis;
- Prohibition on registering any vessel that has been deregistered by another State unless approved by the Committee in advance, on a case-by-case basis;
- The prohibition on exporting new or used vessels had already been introduced in Council Decision (CFSP) 2017/345;
- Obligation to seize and dispose of items the export of which is prohibited under resolution 2397 (2017);
- Prohibition on satisfying any claim in connection with any contract or transaction the performance of which has been affected by the measures provided for in resolution 2397 (2017);

(d) Council Regulation (EU) 2018/285 of 26 February 2018 amending Council Regulation (EU) 2017/1509 concerning restrictive measures against the Democratic People's Republic of Korea, which gives effect to the measures set out in Decision (CFSP) 2018/293.

The above-mentioned Council Regulations are binding in their entirety and directly applicable in all States members of the European Union. Under Council

Regulation (EU) 2017/1509 of 30 August 2017 concerning restrictive measures against the Democratic People's Republic of Korea and repealing Regulation (EC) No. 329/2007, member States are required to determine the penalties applicable to infringements of the provisions of the Regulations. The penalties determined by Hungary are set out in the legislation outlined below.

Under Act C of 2012 on the Criminal Code, any violation of the restrictive measures has criminal law consequences in the following cases:

(a) Terrorist financing;

(b) Violation of international economic restrictions;

(c) Failure to report violations of international economic restrictions;

(d) Criminal offences with military items and services;

(e) Smuggling of illegal immigrants;

(f) Facilitation of unauthorized residence.

In addition to the above-mentioned criminal law consequences, the Government Office of the Capital City, Budapest may impose a fine ranging from 100,000 to 5 million forints on a person who negligently violates the obligation to respect foreign trade restrictions imposed through international sanctions.

Hungary has enacted the following national legislation, under which authorization is required for the sale, supply, transfer or export of arms and related materiel[2] to third countries and for the provision of brokering services and other services related to military activities and which, together with Council Decision (CFSP) 2016/849 of 27 May 2016 concerning restrictive measures against the Democratic People's Republic of Korea and repealing Decision 2013/183/CFSP provides the basis for the enforcement of the arms embargo against the Democratic People's Republic of Korea and the ban on related brokering services:

- Government Decree No. 156/2017 (VI. 16.) concerning the licensing of activities relating to military technology and the certification of undertakings, which ensures that every trade activity relating to arms and related materiel is subject to licensing and that a negative decision is mandatory, inter alia, for transactions contravening the international obligations of Hungary.

With regard to the restrictions on admission (visa ban), Hungary has enacted the following national legislation, which, together with Decision (CFSP) 2016/849, Council Regulation (EC) No. 810/2009 and Council Regulation (EC) No. 539/2001,[3] provides the basis for the refusal of admission and the denial of visa requests:

Section 43 of Act II of 2007 on the Admission and Right of Residence of Third-Country Nationals and section 38 of Act I of 2007 on the Admission and Residence of Persons with the Right of Free Movement and Residence.

National institutions applying the financial and asset-related restrictive measures

In May 2017, the National Assembly of Hungary adopted Act LII of 2017 on the implementation of financial and asset-related restrictive measures ordered by the European Union and the Security Council, which entered into force on 26 June. The

[2] This legislation applies to all goods included in the Common Military List of the European Union.

[3] Regulation (EC) No. 539/2001 applies neither to Ireland nor to the United Kingdom of Great Britain and Northern Ireland.

Hungarian Authorities apply the restrictive measures of the Security Council directly on the basis of the Act.

In accordance with the provisions of the new Act, financial and non-financial service providers, as determined by Act LIII of 2017 on preventing and combating money-laundering and terrorist financing, are obliged to prepare internal rules. In addition, service providers must have a screening system that ensures the prompt implementation of targeted financial sanctions. Furthermore, the rules relating to data protection, the exemption procedure, the prohibition on making funds or economic resources available and restrictions on the transfer of funds, as well as a special type of legal remedy, have been reviewed and clarified in the Act.

As a new element of the legislative framework, effective 20 July 2017, sections 32 to 34 of Decree No. 19/2017 (VII. 19.) of the Central Bank of Hungary contain provisions concerning the development of a screening system for the implementation of restrictive measures imposed by the European Union and the Security Council relating to funds and other financial interests and set out the minimum requirements for the operation of the sanctions screening system.

As a supervisory authority, the Central Bank directly informs the associations of the service providers supervised, such as the Hungarian Banking Association, the Hungarian Leasing Association, the Association of Hungarian Insurance Companies, the Hungarian Association of Investment Service Providers, the Association of Hungarian Investment Fund and Asset Management Companies and the Hungarian Venture Capital and Private Equity Association, about relevant changes to restrictive measures and sanctions.

Furthermore, the Central Bank opened a new communication channel for market participants, established a new question-and-answer section on its supervisory homepage[4] and revised its supervisory homepage with regard to the database of restrictive measures and sanctions,[5] where information concerning sanctions against the Democratic People's Republic of Korea can also be found.

On 18 September 2017, the Central Bank organized a professional workshop together with the Hungarian Financial Intelligence Unit and the Counter-Terrorism Information and Criminal Analysis Centre. A total of 65 professionals from nine associations participated in the event and discussed the targeted financial sanctions, including the United Nations resolutions against the Democratic People's Republic of Korea.

Pursuant to Act LII of 2017, the Hungarian Financial Intelligence Unit is the central authority for the implementation of financial and asset-related restrictive measures. With regard to the sanctions relating to the Democratic People's Republic of Korea, the Unit:

(a) Published all the Security Council resolutions relating to the Democratic People's Republic of Korea on its website;

(b) Informed the bodies representing the service providers supervised by the Unit about the sanctions.

[4] Available from: www.mnb.hu/felugyelet/szabalyozas/penzmosas-ellen/kotelezo-es-iranyado-szabalyok/jogertelmezesi-kerdesek-es-valaszok-q-a.

[5] Available from: www.mnb.hu/felugyelet/szabalyozas/penzmosas-ellen/korlatozo-intezkedesek-szankciok/penzugyi-es-vagyoni-korlatozo-intezkedesek.